

Background to Earthworm Foundation



Earthworm Foundation is an impact-driven, non-profit organisation registered as a Swiss Foundation with 20-years of experience creating conditions for people and nature to thrive.

When we started out in 1999, we sought to create conditions for the timber industry to live in harmony with forests. Since then, our work has evolved and now spans value chains across the globe, ranging from palm oil to rubber and stone with the ultimate aim of protecting the diverse peoples and ecosystems that fall within them. To achieve this, we work between the worlds of buyers and sellers; businesses and NGOs; global brands and small farmers; change-makers and conservationists. We seek out the root of issues and reconnect people with each other and the planet we share.

Our concern stems from signs that planet Earth is struggling to cope with the pressure it is under. Regardless, we have an infinite, almost instinctive, hope that people and organisations can be powerful agents of change. This hope guides our actions and belief that the key to our future lies in collaboration and making value-based decisions.

By harnessing the positive power of relationships, we create solutions to the environmental and social issues affecting our world like deforestation, soil degradation, climate change and exploitation of people. We focus on finding practical answers to complex problems in order to create value for farmers, communities, and businesses.

We work where supply chains impact people and nature the most but also where we can most impact supply chains. It is in changing sourcing and production practices that we see the potential to positively affect our world's climate, habitats and people. Our areas of work are:

- **Habitats** - Forests, Oceans, Soils - We work to preserve these ecosystems because our future depends on their life-sustaining functions.
- **People** - Communities, Workers, Smallholders – While we work with individuals all along supply chains, we focus on empowering those that are most affected by industry's negative trends – The people that care for our lands and produce our everyday needs
- **Climate** – Ultimately all of our work is aimed at preserving the climate that allows life on Earth to thrive.

Earthworm Foundation's vision

We envision a global society that respects itself and the needs of nature because, ultimately, they are one and the same. We believe in a global economy that is not built on destruction but on equilibrium and innovation, where all can thrive and contribute to the betterment of our social, environmental and economic state.

Ways to engage: membership and clients at a glance

Companies can work with Earthworm Foundation as either a member or a client. The clear differences between the two are summarised below, but this handbook focuses on membership. If you would like to discuss becoming a client, then please contact us via your nearest Earthworm Foundation office. You can find our contact details at www.earthworm.org.

Clients work with Earthworm Foundation on specific time-bound projects that we see as positive first steps towards change. These can either be discrete pieces of work or stepping stones towards membership and further-reaching engagement. Generally, communication around this work is limited.

Earthworm members commit to sharing our values, and to long-lasting change in their supply chains. They engage with Earthworm Foundation at the senior level where corporate policy and strategy are set, and at operational levels where supply chain transformation happens day-to-day. Through membership Earthworm Foundation provides a dedicated team that will provide strategic, environmental, social, supply chain, and communications input which is used to progress members' supply chain transformation goals. This covers High Carbon Stock, High Conservation Values, social expertise in conflict management, Free and Prior Informed Consent (FPIC), participatory mapping, workers' rights, and supply chain expertise.

Our strategy

We are an impact-driven organisation that works with partners all along the supply chain to drive change, break down barriers and build solutions.

This process is guided by three pillars; implementation, innovation and chain-reaction.

Implementation: Every day we work with companies across a range of industries to instil responsible practices. Our member companies set ambitious goals and lead the transition to responsible business.

Innovation: We convene interdisciplinary experts and entrepreneurs to co-design solutions that overcome barriers to building responsible supply chains.

Chain reaction: We share our successes and stories to inspire a wider audience and ignite chain reactions that enable solutions to go to scale.



Earthworm Foundation's Values

Our planet and those who inhabit it are under a great deal of strain. Climate change, deforestation, overfishing and human rights abuses are just a few of the issues faced. Global companies, meanwhile, hold the power to either destroy further or heal these ills. Some rely solely on rules and systems to make positive change, but we believe in people's power to innovate and find solutions to the world's environmental and social problems. We believe in value creation for all and entrepreneurship to find and develop solutions that transform at scale.

Our actions are guided by the Earthworm Foundation Coat of Arms.

Our motto is: **Cultivating life through value chains**

Here are more details about our values:

- To carry our mission forward, we must be able to face the **truth**, open ourselves to accepting it and speak from that place, especially when it goes against the consensus.
- Courage for us is about being bold and **trusting**. It is about facing tension or the unknown while trusting yourself and others to be able to overcome it.
- We strive to make **humility** a trademark of everything we do – we do not boast about our achievements, we share them so that others may benefit; we do not claim to have all the answers, we open up to others to work on solutions; We do not see ourselves as morally superior, we merely share our truths and hope to inspire.
- All our interactions with peers, stakeholders and ourselves are grounded in respect – **Respect** of perspectives, dignity and boundaries.
- Our work is, above all, with people. And to connect with people, it is crucial that we be able to see their perspective and understand their feelings towards an issue. The chaotic nature of our work also requires us to show **compassion** towards ourselves and our peers so that we may not compromise our own values.

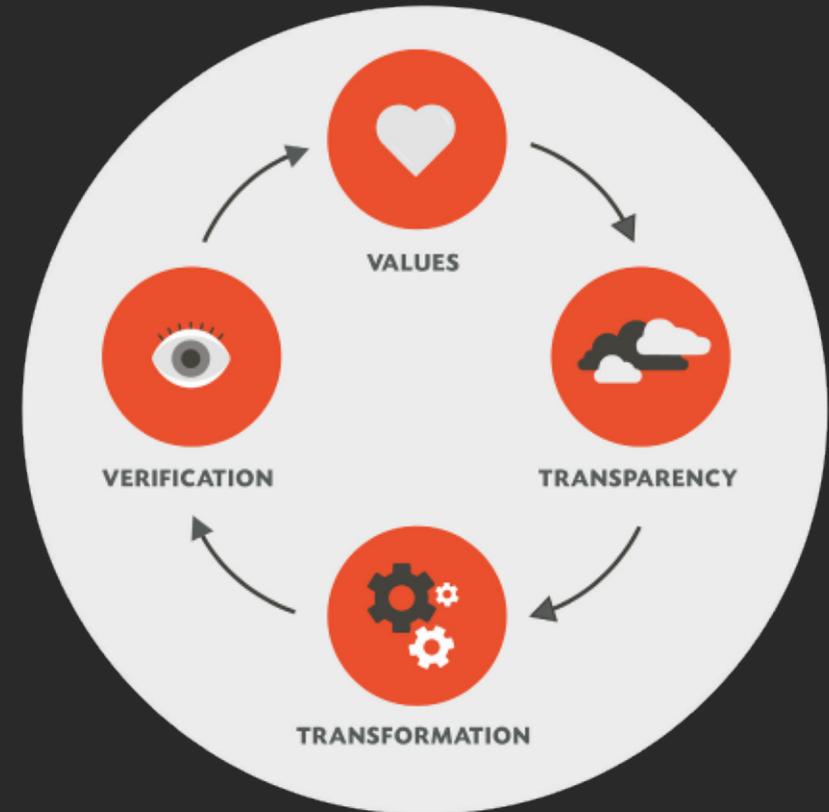
How we will work with you

Becoming an Earthworm Foundation member means embarking on a journey: agreeing at the most senior level what your values as a company are, and making a strategic commitment to turn supply chain responsibility into a source of value for both business and society. Membership is always focused on an ambitious commitment and measurable progress that clearly moves the company towards responsible sourcing of raw materials.

All Earthworm Foundation members deal in products made from raw materials grown or extracted from the land and ocean, but members vary by size, location, history, type of products and their position in the supply chain. Each member is unique and travels its own path towards transforming how its products are sourced. Our role is to guide and support. We agree with our members on a relevant set of actions and solutions with the goal of bringing tangible change. We do not impose a one-size-fits-all solution.

We see communication as a way of bringing better practices and lessons learnt to greater scale, so that a wider impact can be made across an industry. We support and coach members to communicate about their work with us, including the successes and the challenges faced in achieving that success.

We work together on a change journey that follows the **VTTV (Values, Transparency, Transformation and Verification) model**.



The VTTV model explained

Step one: Values

We start by discussing and agreeing your core values as a company and what they mean for your product/s supply chain. We help you translate those values into credible and relevant policies, ensuring that you address the key environmental and social issues that may exist in your supply chain. It is then up to you to publicly announce your commitment and take responsibility for your supply chain impacts.

The key values we expect to share with our members include the following:

- Protection of habitats: Ensuring that supply chains are in harmony with our planet's diverse ecosystems from soils, forests and oceans.
- Protection of people: Guaranteeing respect for people who work in or are impacted by supply chains. This can range from land rights for indigenous peoples and local communities to workers' rights, health and safety.

Each product group further develops these values based on the particularities of each industry. These product-specific values are constantly evolving as we learn more every day about the environmental and social risks that exist, as well as the solutions available to credibly address them.

Step two: Transparency

A company that has an agreed set of values based policies, then takes responsibility for its product by putting in place, or already having, a clear time-bound implementation plan that will include discovering where and how its raw materials are extracted or produced. We help you map your supply chains and establish systems to assess practices in the supply chain, including at the origins of your raw material. That means engaging your supply chain partners to work through barriers of complexity, commercial confidentiality, ignorance, or indifference.

Members must be transparent with Earthworm Foundation. To work effectively we need any supply chain information that is relevant to our work together. Transparency also requires every member to set clear, time-bound goals to map supply chains, identify environmental and social risks, transform conditions on the ground, and verify and report progress. Every year, we agree on an annual work plan with you that states key objectives, key performance indicators and the actions that we will both take to achieve objectives.

Step three: Transformation

Our traceability work is very important, but it is a tool, not an end goal. Traceability provides the information to begin transformation.

We work with our members and their supply chain partners towards establishing new production models that respect communities, workers and nature. We may find practices that destroy forests and biodiversity or exclude communities and exploit workers, and these must be changed in order to identify solutions and advance transformation.

Transformation begins with dialogue, understanding the issues and agreeing on relevant actions and solutions. We have grappled with many complex problems, building up expertise in many areas along the way, using our extensive expertise to tackle each member's individual issues in the relevant company, cultural and national context.

Companies, communities, and civil society may take different approaches, but are often looking for solutions to the same problems. We work to connect stakeholders with what is happening in the field. Constructive engagement can create powerful solutions. When members are behind this process it drives transformation. We support them technically and strategically with the aim to develop practical solutions that create value for all.

Our goal is always to share learning and build capacity within organisations to create the motivated leaders, trained managers, policies, procedures and strengthened community relations that will continue to drive transformation. We will always be there to offer help and support as our key goal as an organisation is to transform whole industries by developing solutions that can be scaled up.

Step four: Verification

Verifying transparency and transformation allows members, consumers, NGOs and other stakeholders to trust that reported achievements are real.

We support members to monitor their performance and share the results publicly. This requires openness and transparency to report the good results and the inevitable setbacks. For example, if it is alleged that a policy – such as a policy to protect forests – has been breached, this must be investigated robustly and the evidence reported. If a breach has occurred, the member must also state the steps it will implement to prevent a repeated breach. This is part and parcel of the transparency and transformation process.

Some members communicate progress to their stakeholders through a transparency dashboard, which provides an online structured communication channel for demonstrating performance against sustainability policy commitments.

Our members sometimes seek third-party certification. However, we recognise that often there is no relevant certification scheme available, and that some schemes lack adequate credibility and can obscure supply chain transparency. We work with our members to find solutions for independent verification. Earthworm Foundation has developed solutions which aim to provide truly independent monitoring and verification of the level of performance on the ground through Starling, a satellite verification system that monitors deforestation, and Kumacaya which enhances the monitoring capacity of like-minded local civil society organisations.



Communication

Regular external communication and a real commitment to transparency are essential to being an Earthworm Foundation member. Visibility of the work members are doing with us to improve practices serves as an example for others to follow. Shining a light on good practices has the potential to create chain reactions, increasing the chances of that behaviour being replicated at a greater scale. Communications is also a means of opening up complex challenges beyond single supply chains and building platforms to bring a variety of stakeholders to the table in order to find lasting solutions. All of this is crucial to finding a balance between nature and human activity.

Good member communication provides value to the member and insight and leadership to the member's specific audience via the following:

- Regular communication demonstrating visibility and impact of the work members are doing with Earthworm Foundation to implement their policy commitments.
- Telling the story from the perspective of those affected where appropriate. This can range from member staff, suppliers, NGOs, and any other stakeholders.

Credible and transparent communication that positions the member as a leader, increases the chances of better stakeholder engagement and collaboration.

We support our members with:

1. Content creation and review – We create a wide variety of multimedia content related to the work we carry out with members. We also support by reviewing external facing communication materials related to all work conducted with Earthworm Foundation.
2. Content distribution – We make use of our networks and distribution channels to share all member-related content created targeting the wider industry, media, end consumers and more.
3. Stakeholder relations – We support our members connect with relevant stakeholders to assist them in developing a network to further their transformation journey.
4. Crisis management – We are able to provide strategic input in case of a crisis situation and work with members to resolve them.

We also use our leverage on Facebook, LinkedIn, Twitter and our email newsletter to raise further awareness of that communication. We believe using Earthworm Foundation's voice to share the progress made gives the communications a tone of credibility.

Grievances

Earthworm Foundation defines a grievance as an official or informal statement of a complaint with regards to something believed by someone or somebody to be wrong or unfair. This may seem unduly vague but examples are credible and challenges are evidence based and contained in NGO or media reporting, community or worker complaints, and or other challenges found in the public domain or sent to Earthworm Foundation or its members.

Grievances are an unavoidable aspect of Earthworm Foundation's work with members. While often regarded negatively, and having the potential to cause damage- if handled well, the reputational damage can be minimised and indeed they can open new opportunities for driving improvement in supply chains. Therefore, Earthworm Foundation strongly recommends all members have, or put in place, grievance-handling mechanisms and to report on them publicly. Earthworm Foundation has considerable expertise and generic templates and processes to assist members in quickly establishing mechanisms into their operations.

Earthworm Foundation also operates its own grievance mechanism, through which it manages the large number of grievances impacting members and seeks to support them in finding effective and equitable resolutions. Earthworm Foundation reserves the right to issue public statements about grievances deemed to either implicate Earthworm Foundation directly or implicitly, or be of critical importance and relevance to our broader goals and values. Earthworm Foundation would never do this without consultation with the members impacted by the grievance and we ask that members also consult Earthworm Foundation on any public statements about grievances and to the best of their ability share with us the progress made in addressing them.

Member Review Process (MRP)

Our members' transformation journeys are challenging and unpredictable. Sometimes they will fail to achieve agreed work plan objectives, other times they will exceed them. Sometimes events on the ground overtake the work plans, which is something we know can result in operational reality departing from what was agreed under a work plan. Therefore, a regular review process is part of the standard way we interact with our members. Member reviews take place as required but at a minimum of one year

intervals. This review process has been developed to ensure there is an accurate picture of the member's progress over time, and to review and/or agree ongoing targets, an effective joint work plan and that credible implementation is taking place. The long-term objective of this review process is to validate all members are making good progress on their own VTTV journey and will deliver the transformation aligned to our values.

MRP Stage One – Data Gathering

The member manager will consolidate all feedback from the field on the member's progress. Any external feedback or reporting on the member will also be reviewed from publicly available information. A summarised report will be compiled and shared with Earthworm Foundation's Executive team.

MRP Stage Two - Review Meeting

The member manager will hold a periodic review meeting with the member as agreed. The focus of this meeting will be to review the progress made based on internal and external feedback, on the previous period's goals and targets, and establish new or amended goals, targets, and a new work plan for the upcoming period - if required. By monitoring progress closely, both Earthworm Foundation and the member can ensure that progress is satisfactory.

This meeting may include a member of Earthworm Foundation's Executive team and should result in feedback from the member regarding quality of member programme, member manager feedback regarding members' actions and interactions. Also included is an agreement on continued work/membership and setting of agreed goals and targets for the following period. If progress is as expected work will continue or the review may result in some amendments to the workplan.

MRP Stage Three – Production of Meeting Report

However if progress is not satisfactory in the view of Earthworm Foundation - and this decision is at Earthworm Foundation's absolute discretion - then further action will be taken.

Options for further action

When member progress falls below Earthworm Foundation's expectations - for example, when there is poor internal or external feedback, or agreed policies are breached - an immediate additional review process will be triggered. These issues must be escalated within the member company by Earthworm Foundation to ensure the member is clearly aware of Earthworm Foundation's concerns and the member is afforded an opportunity to address the issues prior to any sanction. This process will be led by a member of Earthworm Foundation's leadership team.

1 – Time bound remedial action

Earthworm Foundation reserves the right to immediately terminate membership for particularly serious breaches. In other cases, if insufficient progress has been made then Earthworm Foundation will seek a renewed commitment from the member - at the most senior level - to a short-term time-bound amended work plan to get the implementation plan back on track. The remedial action will be closely monitored and a further review meeting will be scheduled. If the time bound remedial action is not successful then step two of the process will commence.

2 – Suspension

If it was determined that the breaches or lack of progress, while serious, were remediable, we will consider the sanction of suspension. This would only be carried through once the member has been given a fair opportunity to address the issues raised (as in step one) but has failed to do so.

A suspension can only last for a maximum of six months, after which the membership is either resumed or terminated. It is expected that within 30 days of the suspension coming into force, the member will work with us to agree a time-bound action plan to remedy the issues and breaches raised by us. In the event of suspension, we always hope and expect that by the end of the suspension period it will be clear to both parties whether ongoing membership is the right option on both sides.

If the member declines to agree to a new work plan or makes insufficient progress on the remedial workplan the membership will be permanently terminated and this is at Earthworm Foundation's absolute discretion. We cannot work with companies who do not share our vision and values. Upon termination, any company will be required to submit a new membership application in the event they wish to re-join Earthworm Foundation.

Earthworm Foundation Membership Declaration

For the duration of membership all members commit to the following:

Transparency

- Enter into the relationship with Earthworm Foundation on a basis of complete trust, transparency and integrity to enable as close and collaborative an approach to the work as possible. This should extend to related work delivered by third-party providers and stakeholder engagement.
- Make a strategic commitment to Earthworm Foundation to take a role in driving change, to innovate where possible, while demonstrating ambition in turning supply chain responsibility into a source of value for both business and society.
- Provide Earthworm Foundation with all relevant information relating to its supply chains. This may include supplier contacts and type, size and timing of orders.
- Provide Earthworm Foundation with access to supplier operations to achieve the transparency and transformation objectives agreed to in the work plan.

Communication

- Define a responsible production and sourcing policy that aligns with Earthworm Foundation's values with respect to protection of nature and respect for human rights, and commits the member to long-term transformation of their supply chains.
- Declare the policy publicly.
- Communicate publically on a regular basis in a manner that provides a clear and honest picture of the work the member and Earthworm Foundation are doing together.

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- Work with Earthworm Foundation and, where possible, cooperate with fellow members to resolve grievances impacting your supply chains.
- Embrace the collective purpose of membership and be open to working with fellow members when opportunities present themselves to support the Earthworm Foundation goal to transform industries.

Resources

- Make a financial investment in the Earthworm Foundation membership relationship that is appropriate to the scale of this strategic commitment.
- Commit to delivering the policy throughout its own operations, sub-contractors and those of its third party suppliers.
- Maintain engagement of senior management and across operational areas. The relationship with Earthworm Foundation must not be limited to a sustainability team.
- Ensure teams are in place to institutionalise Earthworm Foundation's training and capacity building within the organisation.

Time-bound objectives

- Agree a work plan with Earthworm Foundation that sets out clear, time-bound objectives and actions to deliver all of the policy commitments. The member is expected to carry out the work plan actions for which it is responsible, and to fund the actions allocated to Earthworm Foundation or others. The plan is then reviewed and updated at least every six months in line with our review process.
- Take steps to exclude all illegal and policy non-compliant raw materials in supply chains robustly and within a credible period.

For the duration of membership, Earthworm Foundation commits to the following:

Communication

- Provide members and all interested parties with regular updates about Earthworm Foundation's activities.

Collaboration

- Seek to encourage all opportunities for members to productively collaborate.
- Work with our members and their supply chain partners towards establishing new production models that respect communities, workers and nature.
- Support members to forge connections with stakeholders who may previously have been unwilling to engage constructively.

Delivery

- Deliver management and technical services to the member, and review internal member operations and deliver capacity building to enable members to drive responsible practices for themselves.
- Support members to monitor and track progress of their commitments and to report them transparently and compellingly to specific audiences.
- Provide appropriate communications support to help our members tell their improving product stories in a credible and transparent manner.
- Provide strategic guidance and direct stakeholder engagement.
- Provide advice, intelligence-gathering and convening power in responding to and resolving grievances, which includes desktop and field-based verification.
- Provide project management resources to develop a mutually agreed time-bound action plan and budget and to manage this through to completion.
- To deliver our shared goals with integrity, energy and creativity, acknowledging setbacks and proposing new strategies when better

solutions present themselves.

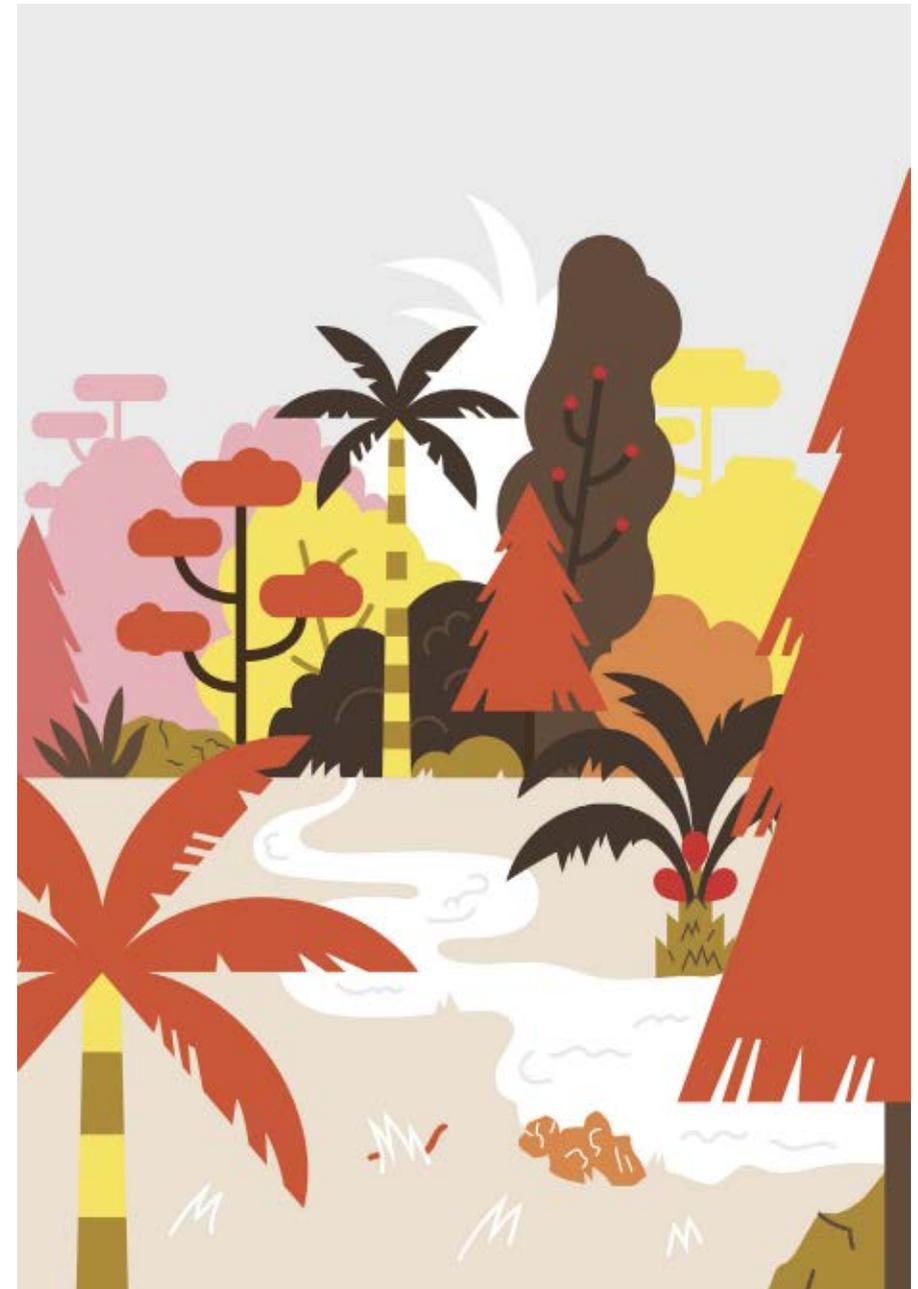
- Treat commercial information about member companies in strict confidence.
- Assign a member manager to support the member and ensure membership requirements are met.
- Help our members to become aware of the risks in their supply chain and develop strong action plans to address these risks.

Work plans and budgets

The specific work activities that will take place are detailed in a separate work plan which is jointly agreed with the member every year and varies according to the scope of the joint work planned. As such, a work plan is unique to a member and is based on the activities and staff time needed to deliver this.

In addition to the membership fee, an annual work plan budget is calculated to cover the costs for the various members of staff involved - from member managers and field project officers to any strategic input from directors - and for additional tools and services that are not provided under the membership fee.

The work plan budget includes 14% overheads covering our non-operational costs such as administrative staff, insurances, offices, website development, etc. For further information you can consult the Earthworm Foundation financial audit report and annual report on our website.



FAQs

Will Earthworm Foundation work in any product sector?

Potentially yes but we will only work with companies and sectors that we judge have the potential to strike a responsible balance between conservation of the natural world, the wellbeing of local communities and wider society, and profitable business.

How does Earthworm Foundation judge what is a 'responsible' balance of social, environmental and business values?

What is responsible is not defined by Earthworm Foundation. We agree through dialogue with affected stakeholders (business, communities, NGOs, experts) and our leadership team makes its recommendations to the Earthworm's Board of Trustees.

How does Earthworm Foundation decide on membership applications?

Earthworm Foundation's Executive team and board of trustees assess and decide on membership applications. An application is only considered if:

- Earthworm Foundation has met and discussed membership requirements with senior executives in the company.
- The company commits to making public policy commitments to responsible sourcing as understood by Earthworm Foundation, and commits to establishing credible workplans to implement this.
- The company commits to an Earthworm Foundation membership proposal which includes an annual work plan, budget and membership fee.
- The membership application and declaration are signed by an authorised legal representative of the applicant company.

How do other people know whether Earthworm Foundation members are really progressing?

Verification of work plan progress is an integral part of Earthworm Foundation's 'VTTV' model (see 'How we will work with you, pages 6-11). We also strongly encourage and support our members to practise open, proactive stakeholder communication. We will help our members to communicate their commitments and progress but ensure that this alone is not the only means of validating our members' progress.

We track and assess each member's progress against annual work plan goals. Every member is entitled to guard commercially sensitive information, but must also allow progress against commitments.

We are audited every year by a third-party financial auditor and provide this information publically in our annual report.

